

RESOLUTION NO. 09-26

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$308,550,000 CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK REFUNDING REVENUE BONDS (PACIFIC GAS AND ELECTRIC COMPANY) IN ONE OR MORE SERIES TO PROVIDE FINANCIAL ASSISTANCE FOR THE REFINANCING OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES, PROVIDING THE TERMS AND CONDITIONS OF THE SALE AND ISSUANCE OF SAID BONDS AND OTHER MATTERS RELATING THERETO, AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the "Bank") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the "Act"), for the purpose of promoting economic development; and

WHEREAS, the Bank is authorized to issue tax-exempt revenue bonds to provide financing for economic development facilities (as such term is defined in the Act) located in the State of California; and

WHEREAS, the Bank previously issued its Refunding Revenue Bonds (Pacific Gas and Electric Company) Series 2008A (AMT), in the aggregate principal amount of \$74,275,000 (the "2008A Bonds"); its Refunding Revenue Bonds (Pacific Gas and Electric Company) Series 2008B (AMT), in the aggregate principal amount of \$74,275,000 (the "2008B Bonds"); its Refunding Revenue Bonds (Pacific Gas and Electric Company) Series 2008C (AMT), in the aggregate principal amount of \$80,000,000 (the "2008C Bonds"); its Refunding Revenue Bonds (Pacific Gas and Electric Company) Series 2008D (AMT), in the aggregate principal amount of \$80,000,000 (the "2008D Bonds" and together with the 2008A Bonds, the 2008B Bonds and the 2008C Bonds, the "2008A-D Bonds"), and loaned the proceeds thereof to Pacific Gas and Electric Company (the "Borrower") pursuant to the loan agreements relating to the 2008A-D

Bonds, each dated as of October 1, 2008 and by and between the Bank and the Borrower, to refinance the acquisition, construction and development of certain air and water pollution control and sewage and solid waste disposal facilities located in Lake and Sonoma Counties (the “Geysers Project”), as well as certain air and water pollution control and sewage and solid waste disposal facilities located at the Diablo Canyon Nuclear Power Plant (the “Diablo Canyon Project” and together with the Geysers Project, the “Projects”), which Sidley Austin Brown & Wood LLP, now Sidley Austin LLP, as bond counsel (“Bond Counsel”) previously determined are “exempt facilities” under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended (the “1954 Code”), and which were originally owned and operated by the Borrower; and

WHEREAS, the American Recovery and Reinvestment Tax Act of 2009 (the “Act”) allows the 2008A-D Bonds, the interest on which is an item of tax preference for purposes of the Alternative Minimum Tax (the “AMT”), to be refinanced with the proceeds of refunding revenue bonds, the interest on which is not an item of tax preference for purposes of the AMT; and

WHEREAS, to take advantage of this aspect of the Act, the Borrower has submitted an application to the Bank for assistance in refinancing the 2008A-D Bonds; and

WHEREAS, the Borrower has represented that it is a “participating party” and the Projects are “economic development facilities” and therefore the Borrower is a “sponsor” within the meaning of the Act; and

WHEREAS, the Borrower has represented that all components of the Geysers Project that remained in service as of May 6, 1999 have been transferred to Geysers Power Company, LLC, which has agreed to use those components of the Geysers Project solely as pollution

control facilities within the meaning of Section 103(b)(4)(F) of the 1954 Code, and the regulations thereunder, as in effect prior to August 15, 1986, and continue to own and operate those components of the Geysers Project in such manner, for so long as tax-exempt bonds issued to finance or refinance the Geysers Project are outstanding, which operation the Borrower has represented is consistent with the definition of an economic development facility in the Act; and

WHEREAS, the Borrower has represented that it intends to use the Diablo Canyon Project to provide for the control, reduction, abatement, elimination, remediation or prevention of pollution at the Diablo Canyon Nuclear Power Plant, which operation the Borrower has represented is consistent with the definition of an economic development facility in the Act; and

WHEREAS, for these purposes, the Borrower has requested the Bank to (a) authorize the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$308,550,000 entitled California Infrastructure and Economic Development Bank Refunding Revenue Bonds (Pacific Gas and Electric Company) in one or more series (the "Bonds"), (b) provide for the sale of the Bonds, (c) provide for the loan of proceeds of the sale of the Bonds to the Borrower to refinance the 2008A-D Bonds and thereby assist the Borrower in the refinancing of the costs of the Projects, (d) provide for the payment of the principal of, premium, if any, and interest on the Bonds from proceeds of a credit facility or liquidity facility (as such terms will be defined in the the documents herein specified) in effect for the Bonds or with revenues derived from the Borrower's repayment of that loan, and (e) take and authorize certain other actions in connection with the foregoing; and

WHEREAS, the Borrower intends the refinancing of the 2008A-D Bonds to be accomplished through the purchase of the 2008A-D Bonds in lieu of redemption on behalf of the

Borrower, the payment of such purchase price from the proceeds of the Bonds and the immediate cancellation of the 2008A-D Bonds so purchased, and the proceeds of the Bonds will be used solely for such purchase, and the 2008A-D Bonds so purchased will be immediately cancelled, all as provided in more detail in one or more purchase protocols or other agreements to be entered into among the Trustee (as defined below), Wells Fargo Bank, National Association as the credit provider and liquidity provider, the Borrower and Deutsche Bank National Trust Company, as tender agent for the 2008A-D Bonds, and in such instance, the proceeds of the Bonds will not be applied in any other manner or used for any other purpose; and

WHEREAS, if the Borrower is unable to cause the refinancing of the 2008A-D Bonds to be accomplished through the purchase of the 2008A-D Bonds in lieu of redemption on behalf of the Borrower as set forth in the preceding recital, the Borrower may accomplish such refinancing through various other means, including without limitation: (i) the redemption of the 2008A-D Bonds and the payment of such redemption price from the proceeds of the Bonds; (ii) the redemption of the 2008A-D Bonds and the reimbursement of draws on any credit enhancement to pay such redemption price from the proceeds of the Bonds; or (iii) the purchase of the 2008A-D Bonds in lieu of redemption by the Borrower, the reimbursement of draws on any liquidity support to pay such purchase price from the proceeds of the Bonds and the subsequent cancellation of the 2008A-D Bonds so purchased; and

WHEREAS, the Bank may not issue the Bonds to refinance the 2008A-D Bonds and thereby assist the Borrower in the refinancing of the costs of the Projects until the Board of Directors of the Bank makes certain determinations relating to the Projects as required by the Act; and

WHEREAS, there is now on file with the Secretary of the Bank the following:

(a) a proposed form of a loan agreement, one or more of which are to be entered into by and between the Bank and the Borrower providing for the loan of the proceeds of the Bonds to the Borrower in connection with the issuance of one or more series of the Bonds;

(b) a proposed form of an indenture, one or more of which are to be entered into between the Bank and Deutsche Bank National Trust Company, as trustee (the "Trustee"), providing for the authorization and issuance of the Bonds in one or more series, each series to be dated the date of delivery thereof;

(c) a proposed form of a bond purchase contract, one or more of which are to be entered into by and among the Bank, the Treasurer of the State of California and one or more of Morgan Stanley & Co. Incorporated, Merrill Lynch Pierce Fenner & Smith Incorporated and Wachovia Bank, National Association (the "Underwriters"), and approved by the Borrower, providing for the sale of one or more series of the Bonds; and

(d) a proposed form of official statement, one or more of which are to be used by the Underwriter in connection with the sale of one or more series of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank as follows:

Section 1. Pursuant to Sections 63046 and 63047 of the Act, and based upon the representations of the Borrower, the Board of Directors of the Bank hereby finds and determines as follows:

- a. The Projects are located in the State of California.
- b. The Borrower is capable of meeting the obligations incurred under the agreements approved by this resolution.
- c. The payments to be made by the Borrower to the Bank under the loan agreements as approved by this resolution are adequate to pay the current expenses of the Bank in connection with the refinancing and to make all the payments on the Bonds.
- d. The proposed refinancing is appropriate for the Projects.
- e. The Projects are consistent with any existing local or regional comprehensive plan.

The finding in subsection (b) above, as it relates to the Borrower's payment obligations under the loan agreements as approved by this resolution, is based on both (i) the Borrower's ability to satisfy the requirements imposed by Wells Fargo Bank, National Association to its issuance of an irrevocable direct-pay letter of credit to secure the Bonds which will support a rating on the Bonds at the time of issuance of at least "A3" from Moody's Investors Service, or "A-" from Standard & Poor's or Fitch, Inc., respectively, and (ii) the fact that the Borrower's senior notes, which are not supported by any credit enhancement, are assigned a rating of "A3" by Moody's Investors Service.

Section 2. Based on the information provided and representations made by the Borrower, the Board hereby finds and determines that the Projects demonstrate clear evidence of a defined public benefit in that the Borrower's electric and gas customers will enjoy lower gas and

electric rates as a result of the lower cost of tax-exempt financing, as ensured by the regulatory oversight of the California Public Utilities Commission.

Section 3. The Bank authorizes and approves the loan of the proceeds of the Bonds to the Borrower in order to refinance the 2008A-D Bonds and thereby assist the Borrower in the refinancing of the costs of the Projects, pursuant to the terms and provisions of one or more loan agreements as approved by this resolution, through various means, as described in the recitals hereto. The proposed form of loan agreement on file with the Secretary of the Bank (the “Secretary”) is hereby approved, and the Executive Director of the Bank (the “Executive Director”), the Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver a loan agreement to the Borrower with respect to each series of the Bonds in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of one or more loan agreements.

Section 4. The proposed form of indenture on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver an indenture to the Trustee with respect to each series of the Bonds in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such

requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of one or more indentures.

Section 5. The proposed form of bond purchase contract on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair's designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and deliver to the Underwriters and the Treasurer of the State of California a bond purchase contract with respect to each series of the Bonds in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. At the request of the Borrower, the Underwriters are appointed as the underwriters and initial remarketing agents for the Bonds. The Treasurer of the State of California, as agent for sale of the Bank's bonds, is hereby requested to sell the Bonds at negotiated sale, at such prices and at such initial interest rates as he may determine in accordance with the related indenture. Notwithstanding Section 63074(d) of the Act to the contrary, such sale may take place at any time within one hundred eighty (180) days of the adoption of this resolution or at such later date not later than the date three hundred sixty (360) days of the adoption of this resolution as approved by the Executive Director.

Section 6. The proposed preliminary form of Official Statement on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Bank, or the Chair's designee, each acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute a certificate or certificates in a form or forms which, with the advice of the Bank's counsel, is or are acceptable to the officer or official executing the same, to the effect

that the portions of one or more official statements in either its preliminary or final form under the captions “THE ISSUER” and “ABSENCE OF MATERIAL LITIGATION – The Issuer” are “deemed final” as of their respective dates and to execute and deliver one or more official statements in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby authorized to distribute copies of one or more official statements in preliminary form to the prospective purchasers of the Bonds and one or more official statements in final form in connection with the sale of the Bonds.

Section 7. The Bank approves the issuance on a tax-exempt basis of not to exceed \$308,550,000 aggregate principal amount of the Bonds for the Projects in accordance with the terms of and to be secured by the indentures. Payment of the principal of, premium, if any, and the interest on, each series of the Bonds shall be made solely from the revenues to be received by the Bank pursuant to the related loan agreement and the related indenture, and said Bonds shall not be deemed to constitute a debt or liability of the State of California or of the Bank except, as to the Bank to the limited extent provided in the related indenture. Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, the Bonds. Each series of the Bonds shall be dated the date of their issuance and shall be paid in lawful money of the United States at the time or times and place or places provided in the related indenture. Each series of the Bonds shall be in the form and the denominations as provided in the related indenture, mature on the date or dates provided in the related indenture which shall be not later than November 1, 2026 for the series of the Bonds refunding the 2008A Bonds or the 2008B Bonds or December 1, 2016 for the series of the Bonds refunding the 2008C Bonds or the 2008D Bonds, be

subject to redemption as provided in the related indenture, shall carry the registration privileges provided in the related indenture and shall initially bear interest at a variable rate or rates to be determined in accordance with the related indenture, which rates shall not to exceed the lesser of 12% per annum or the maximum rate of interest on such series of the Bonds permitted by the laws of the State.

Section 8. The Executive Director, the Chair of the Board, or the Chair's designee, each acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute, by manual or facsimile signature, the Bonds in an aggregate principal amount not to exceed the amount authorized hereunder in accordance with the terms of this resolution and the related indenture and in the form set forth in the related indenture.

Section 9. The Bonds, when executed as provided in this resolution, shall be delivered to the Trustee for authentication by the Trustee pursuant to the related indenture. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser or purchasers thereof in accordance with written instructions executed on behalf of the Bank by the Executive Director, the Chair of the Board, or the Chair's designee, which instructions each signatory, acting singly, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the purchaser or purchasers thereof upon payment of the purchase price therefor.

Section 10. The Executive Director, the Chair of the Board or the Chair's designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the

Bank, to execute and deliver any and all documents, certificates and instruments, including without limitation tax certificates, Internal Revenue Service Form 8038, any remarketing agreement, any tender agent agreement, any amendments or supplements to the Official Statement(s), any approvals of the appointments of any underwriters, remarketing agents or tender agents, any documents or amendments or supplements relating to any credit enhancement and/or liquidity support, if any, or ancillary agreements or derivative products relating to the Bonds, letters of representations and certifications of authority, or any purchase protocols or other agreements relating to the redemption of the 2008A-D Bonds or, alternatively, the purchase in lieu of redemption on behalf of the Borrower of the 2008A-D Bonds and the subsequent cancellation of the 2008A-D Bonds so purchased, which they or counsel to the Bank may deem necessary or advisable to consummate the issuance, sale and delivery of the Bonds, the redemption of the 2008A-D Bonds or, alternatively, the purchase in lieu of redemption of the 2008A-D Bonds and the subsequent cancellation of the 2008A-D Bonds so purchased, and otherwise to effectuate the purpose of this resolution.

Section 11. All actions heretofore taken by the officers and employees of the Bank with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified. The officers of the Bank and their authorized designees, deputies, agents and counsel are hereby authorized and directed, jointly and severally, to do perform their duties and to execute and deliver any and all certificates which they, counsel to the Bank may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution.

Section 12. This resolution shall take effect immediately upon its passage.

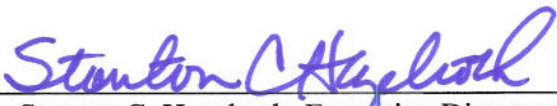
PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on July 28, 2009 by the following vote:

AYES: BERTE, LUJANO, LOPEZ, RICE

NOES: NONE

ABSENT: GENEST

ABSTAIN: NONE


Stanton C. Hazelroth, Executive Director

Attest:


Roma Cristia-Plant, Secretary